RISK MITIGATION AND RISK RESERVES

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Presented By:
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DHCF
Department of Health Care Finance

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AGENDA

I. Reasons for assuming financial risk in a value-based care alternative payment model

II. Strategies for mitigating financial risk

III. Estimating the amount of risk reserves to keep

Learning Objectives

1. The listener will be able to articulate actions that can be taken to reduce and even isolate financial risk in a LAN Category 3b or 4 alternative payment model

2. The listener will be able to create a plan for a risk reserve pool that is adequate in size without unnecessarily tying up capital that could be used to improve performance in a value-based care contract.

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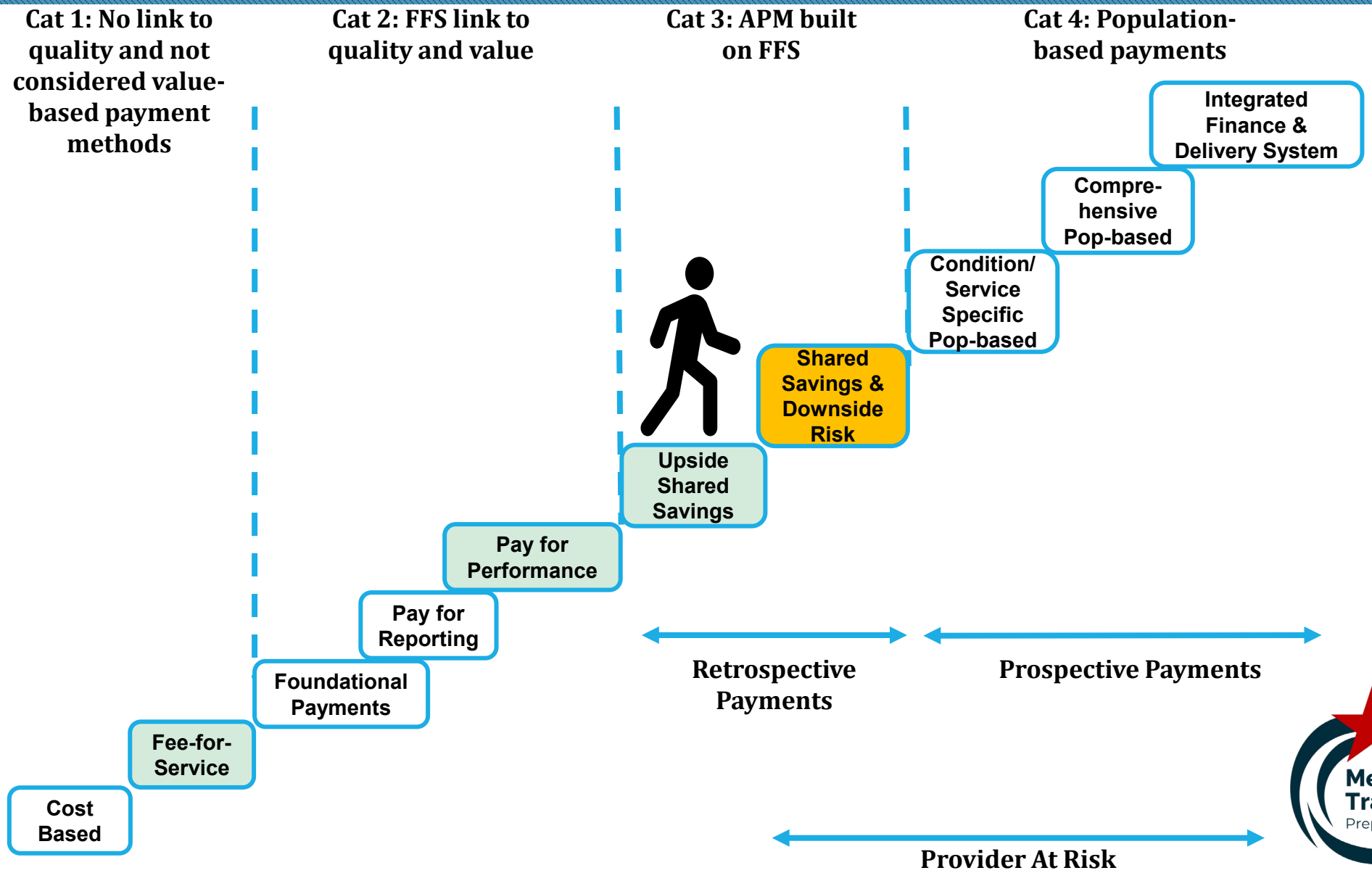
PROGRESSING ALONG THE PATH TO MORE ADVANCED VALUE-BASED CARE



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WHY WOULD A PROVIDER DECIDE TO ENTER INTO A LAN 3B OR 4 APM?

1. To secure a greater share of savings generated.
2. To increase organizational attention on the pursuit of value-based care.
3. In response to payer requirements to stay in a value-based care arrangement.

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RISK MITIGATION STRATEGIES

1. Create a separate legal structure that holds the financial risk
2. Demonstrate ability to generate shared savings before progressing to shared risk
3. Assure panel size is enough to minimize the impact of statistical variation in performance
4. Negotiate a minimal loss ratio (MLR)
5. Negotiate stop loss and risk corridors
6. Consider clinical and financial integration with health care partners who provide the services that you do not
7. Take risk only for services you can reasonably impact
8. Build an adequate reserve pool
9. Take a multi-payer approach
10. Act now as if you were taking downside risk

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INDIVIDUAL MEMBER STOP LOSS

1. Reinsurance for catastrophic cases that are usually beyond what the health care provider can influence.

2. Built on actuarial experience of a health plan's membership in a specific product line.

3. Charged as an expense when calculating surplus or deficit in a provider's pool.

4. The expense varies by probability that it will be used, the attachment point, and the percentage of expense insured once the attachment point is reached.

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STOP LOSS PREMIUM (ILLUSTRATIVE PURPOSES ONLY)

	Reinsurance Premium (PMPM)		
Reinsurance Attachment Point	**$250,000**	**$500,000**	**$1,000,000**
Medicaid Eligibility Category			
TANF/CHIP	$14.00	$6.52	$3.14
Medicaid Expansion	$15.45	$6.79	$2.78
Special Needs Children	$26.81	$12.09	$5.27
Aged, Blind, Disabled	$92.47	$44.15	$20.64

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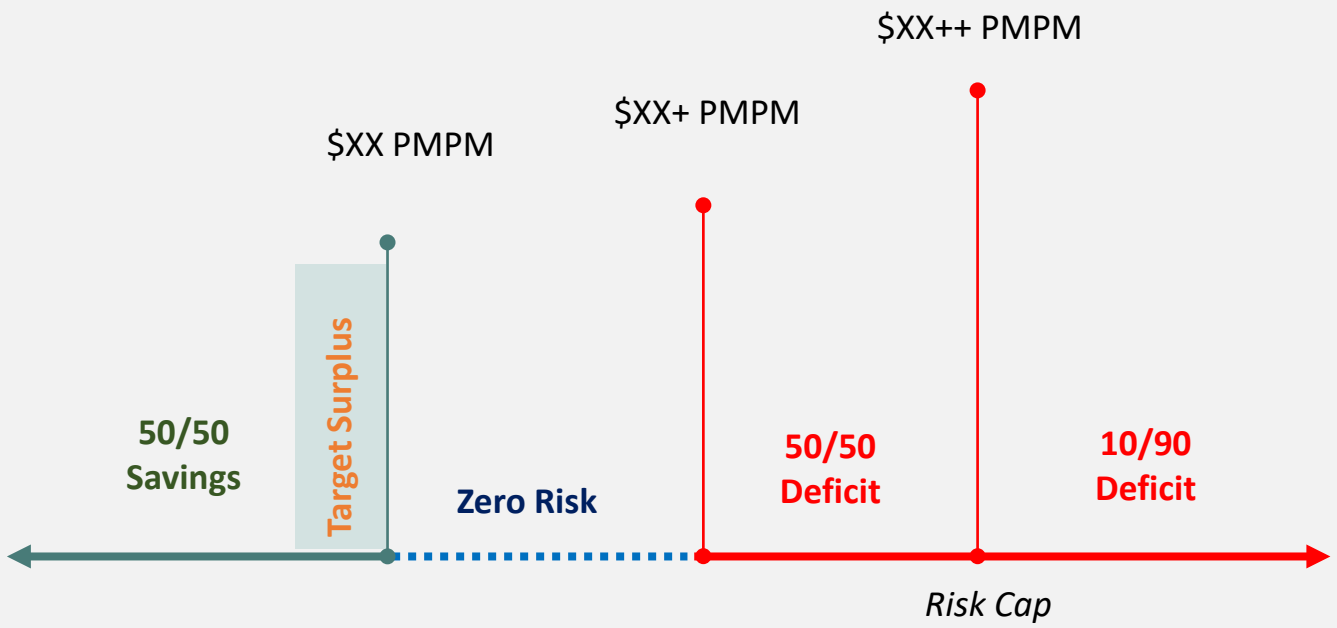
RISK CORRIDORS

Shared Savings & Risk Structure



Highlights

- Surplus opportunity tied to Plan's break-even rate
- Individual stop loss minimizes insurance risk
- Risk corridors mitigate aggregate downside risk

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UPCOMING SESSIONS & MORE INFORMATION

Upcoming Cohort Sessions:

- Getting to an Advanced APM as a BH Provider – Behavioral Health VBP Part 3 – *Wednesday, Sept. 6 (1-2 PM ET)*
- Allocation of Value-Based Payment Incentive Payments to Optimize Performance – *Friday, Sept. 8 (12-1 PM ET)*
- Value-Based Payment: Is it Disrupting Healthcare for the Better? Role of a Clinically Integrated Network – FQHC Part 3 – *Wednesday, Sept. 13 (12-1 PM ET)*

For more information on Medicaid Business Transformation DC: www.integratedcaredc.com/medicaid-business-transformation-dc/

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